

LOGAN CITY SCHOOL DISTRICT

FINANCIAL STATEMENTS

Year Ended June 30, 2005

LOGAN CITY SCHOOL DISTRICT
Year Ended June 30, 2005

TABLE OF CONTENTS

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	4
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Assets	15
Statement of Activities	16
Fund Financial Statements:	
Balance Sheet - Governmental Funds	17
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets	18
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	20
Statement of Fiduciary Net Assets	21
Notes to Financial Statements	22
Required Supplementary Information:	
General Fund – Budgetary Comparison Schedule	45
Notes to the Required Supplementary Information	46

LOGAN CITY SCHOOL DISTRICT
Year Ended June 30, 2005

TABLE OF CONTENTS (continued)

Supplementary Information:	<u>Page</u>
Major Debt Service Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	49
Major Capital Projects Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	50
Nonmajor Governmental Funds - Combining Balance Sheet	51
Nonmajor Governmental Funds - Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	52
Non K-12 Programs - Nonmajor Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	53
School Food Service Fund - Nonmajor Special Revenue Fund - Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	54
Student Activities Agency Fund - Combining Balance Sheet	55
Student Activities Agency Fund - Combined Statement of Changes in Assets and Liabilities	56
Schedule of Capital Assets	57
Schedule of Changes in Capital Assets	58
Single Audit Reports:	
Schedule of Expenditures of Federal Awards	61
Notes to the Schedule of Expenditures of Federal Awards	62
Independent Auditors' Report on Internal Control over Financial Reporting Compliance and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	63

LOGAN CITY SCHOOL DISTRICT
Year Ended June 30, 2005

TABLE OF CONTENTS (continued)

Independent Auditors' Report on Compliance with Requirements Applicable to each Major Program and Internal Control over Compliance in Accordance With OMB Circular A-133	65
Schedule of Findings and Questioned Costs	67
Corrective Action Plan	68
Summary Schedule of Prior Audit Findings	69
State Compliance Report:	
Independent Auditors' Report on Compliance with State Legal Compliance Requirements	71



Certified Public Accountants

1011 West 400 North, Suite 100
P.O. Box 747
Logan, UT 84323-0747
Phone: (435) 752-1510 • (877) 752-1510
Fax: (435) 752-4878

OFFICERS:

Paul D. Simkins, CPA
Michael C. Kidman, CPA, MBA
Brent S. Sandberg, CPA
Brett C. Hugie, CPA
Mark E. Low, CPA

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Logan City School District
Logan, Utah 84321

We have audited the accompanying financial statements of the governmental activities, each discretely presented component unit, each major fund and the aggregate remaining fund information of the Logan City School District (the District) as of and for the year ended June 30, 2005, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express our opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each discretely presented component unit, each major fund and the aggregate remaining fund information of the District as of and for the year ended June 30, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2005, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws and regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the

scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Management's discussion and analysis and the budgetary comparison information on pages 4 through 13 and 45 through 46, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, and is not a required part of the basic financial statements of the District. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



JONES SIMKINS, P.C.
November 18, 2005

This page has been intentionally left blank

Logan City School District Management Discussion and Analysis

As management of the Logan City School District (District), we offer readers of the District's financial statements this narrative discussion, overview, and analysis of the financial activities of the District for the fiscal year ending June 30, 2005.

Financial Highlights

- The District continues to maintain conservative, strong financial fund balances, and reserves, which are necessary protections to maintain its sound financial position. This continues to be a noteworthy and commendable achievement. Districts are funded on a per pupil basis for the largest portion of their operations. This makes budgeting, staffing, and planning each year a bigger and greater challenge. In addition, the District is experiencing escalating costs of utilities, employee benefits, and unfunded state and federal mandates. The District is reporting \$3,335,838 in total General Fund balance, which is a small decrease of \$55,820 from the prior fiscal year. The total fund balance consists of \$517,710 in reserved, \$2,057,971 in designated, and \$760,157 in undesignated fund balances.
- District voters approved a \$22,400,000 bond election on November 4, 1997. With the completion and successful opening of the new Bridger Elementary School in August of 2004 and the substantial completion to the Logan High School athletic fields, the major construction and remodeling, as planned in 1997, is complete. In addition to the projects identified in 1997, the District anticipated for and was able to provide an additional \$11,600,000 of capital outlay resources to enhance the original projects. These funds allowed the District to address other major remodeling and improvements during the 8 years of major construction. This represents a total of approximately \$34,000,000 invested in the District's facilities and grounds over this time period.

The major construction projects of note were:

1. The demolition and new construction of the Logan High Grizzly Gym.
2. The replacement of the entire District's heating systems, with new systems which also provide air conditioning throughout all District facilities.
3. Major remodeling & additions were completed at the Wilson Elementary School, the Mt Logan Middle School, the Adams Elementary School, the Woodruff Elementary School and the Ellis Elementary School.
4. The construction of a new Alternative High School (South Campus).
5. The property acquisition, wetlands mitigation, and construction of the new Bridger Elementary in the northwest part of the city.
6. Installation of completely new fire alarm systems district wide.
7. The redesign, landscaping, and construction of the entire athletic complex at Logan High School. This included new artificial turf on the football field, a new layout and installation of the baseball field, a new softball field, new bleachers, a new track, and other related improvements.
8. In addition, approximately \$500,000 was allocated to various smaller improvements and repairs across the district.

Logan City School District Management Discussion and Analysis

It should also be noted that all this construction was administered, coordinated, and supervised to completion by existing District personnel, in addition to their regular duties and responsibilities over this 8 year period. This was an extraordinary effort on the part of many hard working, caring, and dedicated staff members.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves. A comparative presentation of government-wide information is also included in this discussion and analysis. The purpose of this narrative is to simplify and clarify the following financial statements.

Government-wide financial statements: *The government-wide financial statements are designed to provide readers with a broad overview of the District's financial condition, in a manner similar to a private-sector business.*

The *statement of net assets* presents information on all the assets and liabilities of the District, with the difference between the two reported as *net assets*. In future years, increases or decreases in net assets may serve as one indicator of whether the overall financial position of the District is improving or deteriorating.

The *statement of activities* presents information showing how the net assets of the District changed during this fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, the financial statements are presented using the accrual method of accounting and revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected and delinquent property taxes and employees earned, but unused, paid leave).

The District's government-wide financial statements also present the net assets and a statement of activities for the Logan City School District Foundation (the Foundation). The Foundation is being presented as a discrete component unit in accordance with GASB Statement No. 39 "*Determining Whether Certain Organizations Are Component Units*".

Fund financial statements: A *fund* is a group of related accounts that is used to maintain control over resources that have been designated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: government funds and fiduciary funds.

Logan City School District Management Discussion and Analysis

Governmental funds: *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities*. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The District maintains five individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the remaining two governmental funds, the Non K-12, and Food Service Funds, are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* later in this report.

The District adopts an annual budget, as legally required, for each governmental fund. Budgetary comparison statements have been provided as supplementary information to demonstrate compliance with these budgets.

Fiduciary funds: Fiduciary funds are used to account for resources held for the benefit of groups outside the central operations and therefore completely separate from the governmental entity. Fiduciary funds are *not* reflected in the government-wide financial statement because the resources of those funds are not generally available for use in the general operations of the District. The District uses an agency fund to account for resources collected from and held for student activities and groups at the secondary schools only.

Notes to the financial statements: The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements.

Other information: The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the notes to the financial statements located later in this report.

Logan City School District Management Discussion and Analysis

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as one useful indicator of a government entity's financial condition. The District's assets exceeded liabilities by \$36,193,834 at the close of the fiscal year, which is a decrease of \$786,671. This decrease was mainly the result of the completion of all major construction projects and the related increase in depreciation expense associated with them.

LOGAN CITY SCHOOL DISTRICT'S NET ASSETS

		<u>Governmental Activities</u>	
		<u>2005</u>	<u>2004</u>
Current and other assets	\$	21,252,243	23,744,725
Capital assets		<u>53,225,907</u>	<u>51,762,450</u>
Total assets		<u>74,478,150</u>	<u>75,507,175</u>
Other liabilities		14,721,101	15,563,797
Long-term liabilities outstanding		<u>23,563,219</u>	<u>22,962,873</u>
Total liabilities		<u>38,284,320</u>	<u>38,526,670</u>
Net assets:			
Invested in capital assets, net of related debt		29,761,878	27,245,256
Restricted		829,361	1,005,417
Unrestricted		<u>5,602,591</u>	<u>8,729,832</u>
Total net assets	\$	<u>36,193,830</u>	<u>36,980,505</u>

The largest portion of the District's net assets (82%) reflects its investment in capital assets (e.g., land, stock, buildings and improvements, and furniture and equipment), less any related debt (general obligation bonds payable) used to acquire those assets that are still outstanding. The District uses these capital assets to provide services to students; consequently, these assets are *not* available for liquidation and future operations. Since the capital assets themselves cannot be used to satisfy these liabilities, the District must obtain these resources from the annual voter-approved property taxes assessed solely for the purpose of meeting the requirements previously established in the outstanding bond repayment schedule.

An additional portion of the District's net assets (2%) represents resources that are subject to restrictions agreed upon when such funds were applied for and received. The remaining balance of *unrestricted net assets* (16%) may be used to meet the District's ongoing obligations to students, employees, and all other operational expenditures. A portion of the unrestricted net asset amount

Logan City School District Management Discussion and Analysis

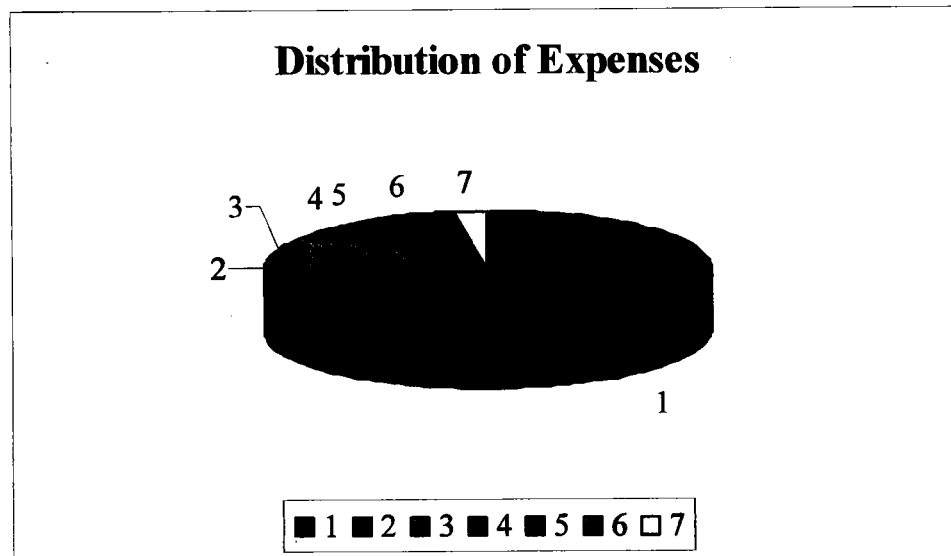
has been designated for a) an undistributed reserve, b) required programs without sufficient revenues, c) death benefit obligations, and d) future land purchases.

At the end of the current fiscal year, the District is able to report positive balances in all three categories of net assets, both for the District as a whole, as well as for its separate governmental activities. The same situation has been true for all prior fiscal years.

LOGAN CITY SCHOOL DISTRICT'S CHANGES IN NET ASSETS

	<u>Governmental Activities</u>	
	<u>2005</u>	<u>2004</u>
Revenues:		
Program revenues:		
Charges for services	\$ 787,996	965,170
Operating grants and contributions	5,575,594	6,007,697
Capital grants and contributions	-	-
General revenues:		
Property taxes	11,035,996	10,535,715
Federal and state aid not restricted to specific purposes	20,072,533	18,587,355
Earnings on investments	272,143	254,847
Miscellaneous	<u>382,019</u>	<u>326,211</u>
Total revenues	<u>38,126,281</u>	<u>36,676,995</u>
Expenses:		
Instructional services	25,245,225	24,762,356
Supporting services:		
Students	564,465	467,689
Instructional support	1,259,829	1,063,990
District administration	352,050	444,646
School administration	1,700,142	1,524,021
Business office	266,832	273,186
Operation and maintenance of facilities	4,308,158	3,236,739
Transportation	839,247	724,164
Non-instructional	1,075,793	855,490
School lunch services	2,295,471	1,977,898
Interest on long-term liabilities	<u>1,005,744</u>	<u>1,038,476</u>
Total expenses	<u>38,912,956</u>	<u>36,368,655</u>
Increase in net assets	(786,675)	308,340
Net assets – beginning	<u>36,980,505</u>	<u>36,672,165</u>
Net assets – ending	\$ <u>36,193,834</u>	<u>36,980,505</u>

Logan City School District Management Discussion and Analysis



- | | |
|---|---|
| 1 | Instructional services |
| 2 | Central / Business |
| 3 | Operation and maintenance of facilities |
| 4 | Transportation |
| 5 | Non-instructional |
| 6 | School Lunch Services |
| 7 | Interest |

The largest source of revenue continues to be from annual legislative appropriations to the state minimum school program, and administered by the Utah State Board of Education. This revenue source is based on WPU's (weighted pupil units) distributed by formula to districts based on an amount established by the state legislature (\$2,182 per WPU for fiscal year 2005) each year. The value of the WPU was increased 1.5%, from \$2,150 in the prior year.

Instructional services represent the largest dollar expenditure of District operations. Instruction and other related direct instructional support services represent 75% of the District's total expenditures compared to 78% the previous year.

Financial Analysis of the District's Funds

As noted earlier, the District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Logan City School District Management Discussion and Analysis

Governmental funds: The focus of the District's *governmental funds* is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the District's financial position. The unreserved fund balance is divided between designated and undesignated balances. The District has designated portions of the unreserved fund balance as follows:

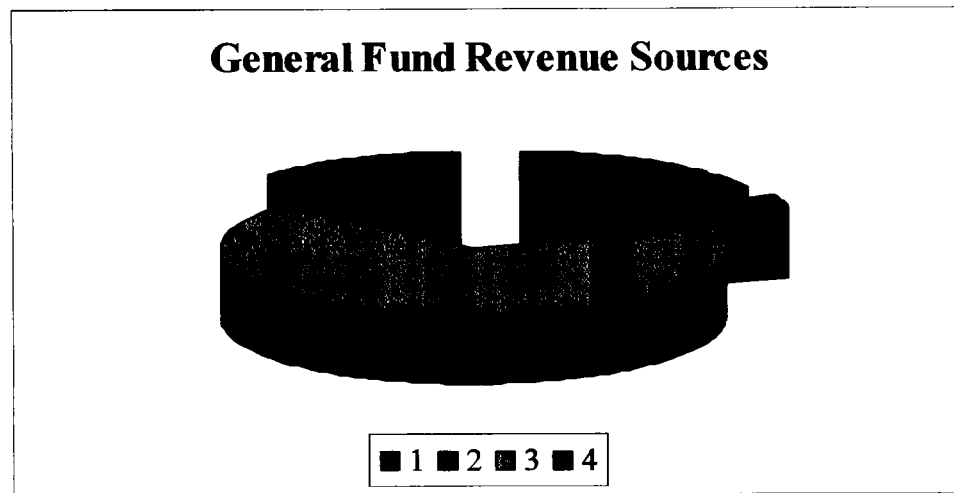
- *Designation for undistributed reserve of \$800,000:* Utah law allows districts to establish an undistributed reserve within the general fund. The law limits this reserve to an amount not to exceed 5% of the general fund budget, or approximately \$1,500,000 for the District at the present time. This reserve of \$800,000 represents an estimated 53% of this legal limit. These funds are set aside, by formal board action, for future contingencies or possible future revenue shortfalls. This reserve is not available, by legal definition, for contract salaries. The maintenance of sufficient total reserves is a major consideration in maintaining the District's exemplary bond rating, currently Aa3, as awarded by Moody's Investor Service.
- *Designation for programs of \$1,560,803:* Net assets within the general fund which are designated to assist certain required programs or services where an annual operating deficit occurs. As mentioned before, required but unfunded state & federal mandates are a major factor.
- *Designation for death benefit insurance of \$100,000:* The District operates a self-funded, employee matching life insurance benefit for eligible employees. This balance is set-aside to provide the District's matching share of this life insurance benefit in the future, as needed.
- *Designation for site purchase of \$300,000:* The Board has designated funds received from the previous sale of District owned property be set aside for the possible future purchase of another potential school site.

Undesignated balances in the general fund are required by state law to be appropriated in the following year's initial budget. Fund balances of the capital projects, debt service, and other governmental funds are designated by State law to be spent for the purpose of the fund.

The District operates five governmental type funds. A description of each fund and its significant activities follows.

- *The General Fund:* The general fund is the chief operating fund of the District. At the end of the current fiscal year, the undesignated fund balance was \$760,157, while the total fund balance was \$3,335,838. The undesignated fund balance decreased by \$163,350, while the total fund balance decreased by only \$55,820 during this fiscal year. This relatively small decrease in total fund balance should be noteworthy in light of continued small increases in revenues and the large increases being experienced for such expenditures as utilities, and employee benefits, as previously mentioned.

Logan City School District
Management Discussion and Analysis



- 1 Property Taxes
- 2 Other Revenues
- 3 State Funds
- 4 Federal Funds

- ▶ **Debt Service Fund:** The debt service fund has a fund balance of \$146,772, all of which is restricted, legally or bond covenants, for meeting the scheduled annual payments of principal and interest on the District's outstanding general obligation bonds. This is a decrease of \$35,921 from the previous year and was budgeted in order to reduce the carryover fund balance.
- ▶ **Capital Projects Fund:** The capital projects fund has a fund balance of \$1,469,010, all of which is earmarked for the construction of district capital assets, the maintenance and repair of existing facilities, and purchase of certain instructional supplies as legally allowed. This is a decrease of \$3,068,735 from the previous year and is solely related to the completion of the major construction projects as discussed previously.
- ▶ **School Food Service Fund:** The school food service fund has a fund balance of \$478,959 and is earmarked for the future operational costs of the school lunch program. This represents a decrease of \$63,948 over the prior year and is related to the District's conservative approach in its annual review and adjustment to lunch prices.
- ▶ **Non K-12 Fund:** The Non-K12 fund has a fund balance of \$768,606 of which \$567,711 is designated for specific programs or activities as required, with the remaining portion of \$200,895 being undesignated. This amounts to a total increase of \$74,910 from the prior year. This is attributable to the allowable inter-fund transfer of funds from the regular state special education state funds, located in the General Fund, to the pre-school special education program located in this fund.

Logan City School District Management Discussion and Analysis

General Fund Budgetary Highlights

The difference between the original budget and the final amended and adopted budget for the general fund was \$288,704. Budgeted revenues increased \$1,010,982 which was primarily from new programs awarded and received through federal and state grants. Budgeted expenses increased \$722,278. State law requires the original adopted budget to include the expenditure of all carryover funds. Subsequent budget amendments are allowed to reflect actual planning by the District to maintain appropriate fund balances, reserves and carryovers as outlined and explained in several sections already discussed in this report.

During the fiscal year, actual revenues to budgeted revenues had an unfavorable variance of \$272,025; however, actual expenses to budgeted expenses had a favorable variance of \$862,055. Budget variances are largely a result of the timing, awarding and receipt of federal and state program revenues and related expenditures which occur subsequent to budget adoption.

Capital Asset and Debt Administration

Capital Assets: The District's investment in capital assets is \$53,225,907 net of accumulated depreciation. This compares to the previous year amount of \$51,762,450. The investment in capital assets includes land, buildings, equipment, infrastructure and its investment in the Logan Recreation Center which is jointly operated with Logan City, a municipality.

Major capital asset events during the fiscal year have been explained and discussed in great detail earlier in this report.

Long-Term Debt: At the end of the current fiscal year, the District had total bonded debt outstanding of \$22,915,000, which represents approximately 26% of the District's legal debt limit. This is down from the prior year of \$24,135,000. The District reduced this total bonded debt by \$1,220,000 through its budgeting process, the receipt of required property tax proceeds and the disbursement of funds to meet the scheduled annual principal payment.

The District also realized a one-time capital revenue of \$75,000 by restructuring the escrow account established by law to satisfy outstanding, previously refunded for interest savings, general obligation bonds. This was a direct result of the District's recognition of very rare market investment conditions. In addition, to complete the transaction, the District also timely and judiciously to meet the short timeline, and fulfill all the necessary legal requirements; thus producing this un-anticipated additional revenue.

Logan City School District Management Discussion and Analysis

Other Significant Matters

The District continues to struggle with enrollment trends and patterns. It continues to experience growth in the elementary grades on the west side of the city while an almost identical decline in enrollment occurs on the east side. However, recent numbers have actually shown a net decline in total student enrollment at the elementary level. Because the major funding for the operations of the District is received on a per pupil basis, additional challenges appear as budgets are developed and resources are efficiently and wisely distributed across all instructional programs. The District's operational budget, as noted earlier, has received small increases in funding while experiencing ever increasing costs of operation. The District continues to closely monitor enrollment trends, especially considering the west side unpredictability and transient area. The District continues to study and research all available options, such as the current practice of transporting elementary students from the west to the east side schools, for example, to remain fiscally sound. This requires the total support of all staff members to be successful.

Requests for Information

This financial report is designed to provide a general overview of the Logan City School District's financial operations. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the office of Paul G. Jensen, Business Administrator, Logan City School District, 101 West Center, Logan, Utah, 84321.

LOGAN CITY SCHOOL DISTRICT
BASIC FINANCIAL STATEMENTS

LOGAN CITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2005

<u>Assets</u>	<u>Primary Government</u>		<u>Component Unit Foundation</u>
	<u>Governmental Activities</u>	<u>Total</u>	
Cash and cash equivalents	\$ -	-	147,763
Equity in pooled cash and investments	9,686,156	9,686,156	-
Investments	-	-	96,091
Receivables:		-	
Taxes	10,435,204	10,435,204	-
Intergovernmental	722,639	722,639	-
Prepaid expenses	223,990	223,990	-
Inventory	85,066	85,066	-
Bond issuance costs, net	99,188	99,188	-
Capital assets:		-	
Land and construction in progress	4,644,772	4,644,772	-
Other capital assets, net of depreciation	48,581,135	48,581,135	-
Total assets	74,478,150	74,478,150	243,854
<u>Liabilities</u>			
Accounts payable and accrued expenses	2,520,176	2,520,176	-
Deferred revenue	12,200,925	12,200,925	-
Noncurrent liabilities, net:		-	
Due within one year	1,674,668	1,674,668	-
Due in more than one year	21,888,551	21,888,551	-
Total liabilities	38,284,320	38,284,320	-
<u>Net Assets</u>			
Invested in capital assets, net of related debt	29,761,878	29,761,878	-
Restricted for:		-	
Debt service	146,772	146,772	-
Program expenditures	682,589	682,589	-
Other purposes	-	-	163,759
Unrestricted	5,602,591	5,602,591	80,095
Total net assets	\$ 36,193,830	36,193,830	243,854

The accompanying notes are an integral part of these financial statements.

LOGAN SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Functions/Programs	Program Revenues			Net (Expense) Revenue and Changes in Net Assets	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Total Governmental Activities
					Component Unit Foundation
Primary government activities:					
Instruction	\$ 25,245,225	112,695	4,324,202	-	(20,808,328)
Supporting services:					
Students	564,465	-	-	-	(564,465)
Instructional staff	1,259,829	-	-	-	(1,259,829)
District administration	352,050	-	-	-	(352,050)
School administration	1,700,142	-	-	-	(1,700,142)
Central/Business	266,832	-	-	-	(266,832)
Operation and maintenance of facilities	4,308,158	-	-	-	(4,308,158)
Student transportation	839,247	-	-	-	(839,247)
Non-instructional/community services	1,075,793	-	61,258	-	(1,014,535)
Food services	2,295,471	675,301	1,190,134	-	(430,036)
Interest and fiscal charges	1,005,744	-	-	-	(1,005,744)
Total primary government	\$ 38,912,956	787,996	5,575,594	-	(32,549,366)
Component Unit - Foundation	\$ 322,441	-	221,434	-	(101,007)
General revenues:					
Property taxes					
Federal and state revenues and contributions not restricted to specific purposes					
Earnings on investments					
Miscellaneous					
Total general revenues					81,503
Change in net assets					(19,504)
Net assets - beginning					263,358
Net assets - ending					243,854

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2005

<u>Assets</u>	<u>General (Maintenance & Operation)</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Equity in pooled cash and investments	\$ 5,298,109	531,264	2,535,050	1,321,733	9,686,156
Receivables:					
Taxes	4,804,454	2,007,258	3,095,209	528,283	10,435,204
Intergovernmental	657,920	-	-	64,719	722,639
Prepaid expenses	223,990	-	-	-	223,990
Inventory	-	-	-	85,066	85,066
Total assets	\$ 10,984,473	2,538,522	5,630,259	1,999,801	21,153,055
<u>Liabilities</u>					
Accounts payable	\$ 1,925,459	-	472,337	122,380	2,520,176
Deferred revenue	5,723,176	2,391,750	3,688,912	629,856	12,433,694
Total liabilities	7,648,635	2,391,750	4,161,249	752,236	14,953,870
<u>Fund balances:</u>					
Reserved for:					
Debt service	-	146,772	-	-	146,772
Inventory	-	-	-	85,066	85,066
Program expenditures	517,710	-	-	164,879	682,589
Unreserved:					
Designated for:					
Undistributed reserve	800,000	-	-	-	800,000
Programs	1,157,971	-	-	402,832	1,560,803
Site purchase	-	-	300,000	-	300,000
Death benefit insurance	100,000	-	-	-	100,000
Undesignated	760,157	-	1,169,010	594,788	2,523,955
Total fund balances	3,335,838	146,772	1,469,010	1,247,565	6,199,185
Total liabilities and fund balance	\$ 10,984,473	2,538,522	5,630,259	1,999,801	21,153,055

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS
June 30, 2005

Total fund balance - governmental funds \$ 6,199,185

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. Capital assets including infrastructure are capitalized and depreciated over their estimated useful life in the statement of net assets. The cost of the estimated historical cost of the assets is \$75,259,083 and the accumulated depreciation is \$22,033,176. 53,225,907

Some of the District's property taxes (delinquent taxes) will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are not recorded in the funds. Receivables and revenues are recorded on the accrual basis in the statement of activities. 232,769

Long-term liabilities, including outstanding general obligation bonds and post employment benefits, are not due and payable in the current period and therefore are not reported as liabilities in the funds. All liabilities - both current and long-term - are reported in the statement of net assets.

Balances at year-end are:

Bonds payable	\$ (22,915,000)	
Issuance costs	99,188	
Unamortized premiums	(300,600)	
Deferred amounts on refundings	782,542	
Early retirement payable	(1,130,161)	(23,464,031)

Total net assets - governmental activities \$ 36,193,830

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2005

	General (Maintenance and Operation)	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:					
Local revenues:					
Taxes	\$ 5,218,533	2,125,956	3,210,937	528,075	11,083,501
Tuition	76,244	-	-	36,451	112,695
Earnings on investments	258,549	-	13,594	-	272,143
Food service sales	-	-	-	649,752	649,752
Local government units	166,091	-	-	-	166,091
Other local revenue	292,140	-	215,934	25,549	533,623
State grants-in-aid	19,490,465	-	-	572,951	20,063,416
Federal sources	4,041,178	-	-	1,251,392	5,292,570
Total revenues	29,543,200	2,125,956	3,440,465	3,064,170	38,173,791
Expenditures:					
Instruction	22,327,359	-	1,136,568	-	23,463,927
Support services:					
Students	529,667	-	-	-	529,667
Instructional staff	1,159,529	-	-	-	1,159,529
District administration	311,111	-	-	-	311,111
School administration	1,620,311	-	-	-	1,620,311
Central/Business	258,644	-	-	-	258,644
Operation and maintenance of facilities	2,396,804	-	225,842	-	2,622,646
Student transportation	839,247	-	-	-	839,247
Non-instructional/community services	-	-	-	1,049,183	1,049,183
Food services	-	-	-	2,160,373	2,160,373
Acquisition, construction and maintenance	-	-	5,146,790	-	5,146,790
Debt service:					
Redemption of principal	-	1,220,000	-	-	1,220,000
Interest and fiscal charges	-	941,877	-	-	941,877
Total expenditures	29,442,672	2,161,877	6,509,200	3,209,556	41,323,305
Excess (deficiency) of revenues over expenditures	100,528	(35,921)	(3,068,735)	(145,386)	(3,149,514)
Other financing sources (uses):					
Transfers in (out)	(156,348)	-	-	156,348	-
Total other financing sources (uses)	(156,348)	-	-	156,348	-
Net change in fund balances	(55,820)	(35,921)	(3,068,735)	10,962	(3,149,514)
Fund balance at beginning of year	3,391,658	182,693	4,537,745	1,236,603	9,348,699
Fund balance at end of year	\$ 3,335,838	146,772	1,469,010	1,247,565	6,199,185

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2005

Net change in fund balances - total governmental funds \$ (3,149,514)

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Capital outlays	3,510,405
Depreciation expense	(2,046,948)
	1,463,457

Bond proceeds are reported in governmental funds as an other financing source, while repayment of bond principal is reported as an expenditure. In the statement of net assets, issuing debt increases liabilities and the repayment of principal reduces the liability. Also, government funds report issuance costs and premiums and other financing sources and uses, whereas these amounts are deferred and amortized in the statement of activities. Interest is recognized as an expenditure in the governmental funds when it is due. In the statement of activities, interest expense is recognized as it accrues, regardless of when it is due.

Amortization of deferred amounts on refundings	(78,254)
Amortization of bond premium	21,471
Amortization of bond issuance costs	(7,088)
Payments of principal on outstanding bonds	1,220,000
	1,156,129

In the governmental funds, post employment benefits are recorded when paid. In the statement of net assets, the amount due for future periods is recorded as a liability. During the year, post-employment benefits increased \$209,242. (209,242)

Property taxes levied in prior years but not yet collected are not recognized in the governmental funds because they are not available. They are, however, recorded as revenues in the statement of activities. Delinquent taxes receivable decreased this year. (47,505)

Change in net assets of governmental activities \$ (786,675)

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
June 30, 2005

	<u>Student Activities Agency Fund</u>
<u>Assets</u>	
Cash	\$ 76,125
Equity in pooled cash and investments	<u>207,500</u>
Total assets	<u>\$ 283,625</u>
<u>Liabilities</u>	
Unallocated student funds	\$ 145,850
Due to student groups	<u>137,775</u>
Total liabilities	<u>\$ 283,625</u>

The accompanying notes are an integral part of these financial statements.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies

The financial statements of the Logan City School District (the District) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the District are described below.

A. Reporting Entity

Primary Government

The Logan City School District Board of Education is the basic level of government that has oversight responsibility and control over all activities related to public school education in the City of Logan, Utah. The Board is comprised of five elected individuals and is the primary governing authority for the District. The Board is responsible for setting district policies, appointing the superintendent and the business administrator, and approving budgets and all related fiscal matters.

The District is not included in any other reporting entity and is defined as an independent school district. The District is not a component unit of any other primary government. The District has the authority to levy taxes, adopt budgets, and issue debt. The Board receives funding from local, state and federal sources and must comply with the requirements of these funding sources.

Discrete Component Unit

The Logan City School District Foundation (the Foundation) is a non-profit 501(c)(3) corporation organized for the purpose of seeking supplemental resources for education purposes. The Foundation receives support from the District but it is not fiscally accountable or dependent upon the District for its operations. The Foundation qualifies to be reported as a discrete component unit of the District in accordance with the requirements of GASB Statement No. 39 "*Determining Whether Certain Organizations Are Component Units*". The Foundation does not issue separate financial statements.

Undivided Interest in Joint Operation

The Logan Recreation Center is jointly operated through an agreement between the District and the City of Logan. Both the District and the City have recorded their portion or interest in the recreation center as a capital asset. Operating expenses are shared and the City has assumed fiduciary responsibility for the Center.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the District and the Foundation.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenues* include 1) charges to students or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function.

Property taxes and other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, early retirement and post-employment healthcare benefits, are recorded only when payment is due.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

Property taxes, fees-in-lieu, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Property taxes and fees-in-lieu associated with future periods are deferred. All other revenue items are considered to be measurable and available only when the District receives cash.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources, as they are needed.

The District's policy is to not allocate indirect costs for financial reporting purposes to functional areas such as instructional services.

The District's accounting system is organized on a fund basis. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the government establishes for accountability purposes in accordance with statutes, laws, regulations, restrictions or specific purposes.

The focus of the fund financial statements is *major* funds. Defined based on a numerical formula, these funds generally represent the government's most important funds.

The District reports the following major governmental funds:

- The Maintenance and Operation Fund (general fund) is the District's primary operating fund. It accounts for resources devoted to financing the general services of the District. The fund is charged with all costs of operating the District for which a separate fund has not been established.
- The Debt Service Fund accounts for the resources accumulated and payments made for principal and interest and related costs of outstanding general obligation debt.
- The Capital Projects Fund accounts for the financial resources used for the acquisition, construction, remodeling, maintenance, and repair of capital facilities and equipment by the District. The State Statutes allow an additional "10% of Basic" levy for debt service, the construction or remodeling of school buildings or the purchase of school sites, buses, equipment, textbooks, and supplies. The State Statutes also allow a budget allocation of up to .0002 per dollar of taxable value to maintain the District's facilities.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

Additionally the District reports the following funds:

- The Non K-12 Program Fund (a special revenue fund) is used to account for the proceeds of specific revenue sources from Non K-12 program activities. This fund's expenditures are legally restricted for specified purposes.
- The School Food Service Fund (a special revenue fund) is used to account for the proceeds of specific revenue sources related to food service. This fund's expenditures are legally restricted for specified purposes.
- The Student Activities Agency Fund (a fiduciary fund) is used to account for assets held by the District in an agent capacity for student body groups. This fund is custodial in nature (assets equal liabilities) and the fund does not measure the results of operations.

D. Cash and Cash Equivalents and Investments

Cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Public Treasurer's Investment Fund (PTIF).

All investments are reported at fair value.

E. Receivables

District management considers receivables to be fully collectible; accordingly, no allowance for doubtful accounts has been established. Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as "due to/from other funds."

F. Inventory

Inventory items in the School Food Service Fund, a special revenue fund type, are recorded as expenditures when consumed rather than when purchased. Federal commodity contributions are recorded as revenue when they are received. Non-federal commodity inventory is valued at cost, using the first-in/first-out (FIFO) method. Federal commodity inventory is valued at fair market value as determined by the United States Department of Agriculture. All other funds record inventory type items as expenditures at the time purchases are made.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

G. Fixed Assets

Fixed assets include land, buildings, improvements, infrastructure, furniture and equipment. Fixed assets are reported in the governmental activities column in the government-wide financial statements. The District defines capital assets as assets with an initial, individual cost of more than \$10,000. All fixed assets are valued at cost or estimated cost if actual cost is not available. Donated fixed assets are valued at their estimated fair value on the date donated. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Interest incurred during construction is not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated lives:

<u>Assets</u>	<u>Years</u>
Buildings, improvements and infrastructure	10 to 50
Equipment and furniture	5 to 15

H. Deferred Revenue

The District considers personal property taxes and fees-in-lieu of tax (motor vehicle fees, etc.) remitted from the County for January to June as taxes collected in advance of the year for which they are levied. The District follows the guidance issued in GASB statement No. 33 and recognizes the revenue in the period when the time requirement is met (i.e. period levied).

In accordance with GASB statement No. 33, the District has recorded a receivable for property taxes based on the lien date and deferred the revenue, which is budgeted for the next fiscal year.

I. Compensated Absences

Under terms of association agreements, twelve-month or full-year employees earn vacation and sick leave in amounts varying with tenure and classification. All vacation pay plus related payroll taxes are accrued when incurred in the government-wide financial statements.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

Full-time employees (those with 12-month contracts) are entitled to vacation days ranging from 10 to 15 days depending upon length of service. Terminating employees are not paid for unused vacation. Employees on contract are entitled to 3 days personal leave per year. Three unused personal leave days may be carried forward to subsequent years.

Retiring employees may only be paid for a maximum of 150 days of unused sick leave at a rate per day set in accordance with negotiated personnel agreements. Terminating employees are not paid for unused sick leave. In accordance with the provisions of Statement of Financial Accounting Standards No. 43, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

J. Post Employment Benefits

The District's employees who meet certain requirements can retire under an early retirement program. This program provides for stipends and health insurance coverage for the retiree for a maximum of four years or until the retiree becomes eligible to receive full social security benefits. Expenditures are recorded in the Maintenance and Operations Fund when paid. The amount of the known obligations is recorded as a liability in the government-wide financial statements in the statement of net assets. The District also participates in a life insurance death benefit program for eligible employees.

K. Long-term Obligations

In the government-wide financial statements, long-term debt and obligations are reported as liabilities in the statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method which approximates the effective interest method when material.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

L. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a restricted purpose. Designations of fund balance represent tentative management plans that are subject to change. The unreserved fund balances for governmental funds represent the amount available for budgeting future operations.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

M. Property Taxes

Property taxes are collected by the County Treasurer and subsequently remitted to the District. Real property taxes are assessed on the taxable value of property (as of January 1st) and such taxes are due and payable by November 30 of each year after which time they become delinquent.

It is expected that all delinquencies plus accrued interest and penalties will be collected within a five-year period, after which time, the County Treasurer may force sale of property to collect the delinquent portion. Delinquent property tax receivable is recognized as revenue in the government-wide financial statements. Only the portion of property taxes receivable that meets the revenue recognition criteria is reported as revenue in the fund financial statements.

The County Treasurer collects personal property taxes and fees in lieu of tax and remits them to the District monthly. Personal property taxes and fees in lieu of tax collected in advance of the fiscal year for which they are appropriated (i.e. collections for January to June) are recorded as deferred revenue.

All funds except the Food Service Fund are permitted to assess taxes. Certain tax rates have limitations as outlined by Utah State law. The tax rates of the District are within the prescribed limitations.

The District's combined tax rate includes the following:

Maintenance and Operation Fund:

Minimum school program – The rate set by the State Tax Commission to support the basic educational program of the District based on the weighted pupil unit established by the State Legislature.

Voted leeway - A rate approved by the voters within the District to maintain school programs not supported by other funding.

Board approved leeway - An optional rate adopted by the school board to assist in the reduction of overall class size.

Special transportation - A rate to assist funding for student transportation for school activities and other related transportation costs not funded through state appropriation. State appropriated funds must be used for approved student transportation to and from school.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 1 - Summary of Significant Accounting Policies (continued)

Tort liability - A rate to assist in the payment of general liability claims, judgments, and insurance premiums.

Non K-12 Fund:

Recreation - A rate to provide support the District's share of operation and maintenance of recreational facilities and programs.

Debt Service Fund:

Debt service - A rate to provide required funds to pay the annual debt service requirements of the voter approved general obligation outstanding debt.

Capital Outlay Fund:

Capital outlays - A rate to be used to purchase, maintain, and repair capital facilities, grounds and equipment.

10% of basic - A rate limited by law to be used for debt service, the construction or remodeling of school buildings, or the purchase of school sites, buses, equipment, textbooks and supplies.

N. Operating Grants Restricted and Unrestricted

The District receives State and Federal Funds passed through the State Office of Education and direct Federal funding. Federal funds received as grants and State funds that are restricted by enabling legislation are presented as program revenues in the Statement of Activities. It is the District's policy to use restricted grants to provide instructional services unless the funds are provided specifically for another purpose.

Note 2 - Deposits and Investments

The State of Utah Money Management Council has the responsibility to advise the State Treasurer about investment policies, promote measures and rules that will assist in strengthening the banking and credit structure of the State, and review the rules adopted by the State of Utah Money Management Act that relate to the deposit and investment of public funds.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2 - Deposits and Investments (continued)

The District follows the requirements of the Utah Money Management Act (Utah Code, Section 51, Chapter 7) in handling its depository and investment transactions. The Act requires the depositing of funds in a qualified depository. The Act defines a qualified depository as any financial institution whose deposits are insured by an agency of the Federal Government and has been certified by the State Commissioner of Financial Institutions as meeting the requirements of the Act and adhering to the rules of the Utah Money Management Council.

A. Primary Government

At June 30, 2005, the District's deposits and investments consisted of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Governmental activities – Equity in pooled cash and investments:			
Demand deposits	\$ 5,641,772	-	5,641,772
Public Treasurer's Investment Pool	<u>-</u>	<u>4,044,384</u>	<u>4,044,384</u>
	\$ <u>5,641,772</u>	<u>4,044,384</u>	<u>9,686,156</u>
Fiduciary funds – Cash:			
Demand deposits	\$ <u>76,125</u>	<u>-</u>	<u>76,125</u>
Fiduciary funds – Equity in pooled cash and investments:			
Public Treasurer's Investment Pool	<u>-</u>	<u>207,500</u>	<u>207,500</u>
	\$ <u>76,125</u>	<u>207,500</u>	<u>283,625</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the District's deposits may not be returned. The District does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, \$5,407,831 of the District's bank balances of \$6,402,650 were uninsured and uncollateralized and \$733,783 was uninsured but collateralized by securities held by the pledging financial institution's trust department or agent, but not in the District's name.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 2 - Deposits and Investments (continued)

Investments

The Money Management Act defines the types of securities authorized as appropriate investments for the District and the conditions for making investments transactions. Investment transactions may be conducted only through qualified depositories, certified dealers, or directly with the issuers of investment securities.

Statutes authorize the District to invest in negotiable or nonnegotiable deposits of qualified depositories and permitted negotiable depositories; repurchase and reverse repurchase agreements; commercial paper that is classified as "first tier" by two nationally recognized statistical rating organizations, one of which must be Moody's Investor Services or Standard & Poor's; bankers' acceptances; obligations of the United States Treasury including bills, notes, and bonds; bonds, notes, and other indebtedness of political subdivisions of the State; fixed rate corporate obligations and variable rate securities rated "A" or higher, or the equivalent of "A" or higher, by two nationally recognized statistical rating organizations; shares or certificates in a money market mutual fund as defined in the Act; and the Utah State Public Treasurer's Investment Fund.

The Utah State Treasurer's Office operates the Public Treasurers' Investment Fund (PTIF). The PTIF is available for investment of funds administered by any Utah public treasurer.

The PTIF is not registered with the SEC as an investment company. The PTIF is authorized and regulated by the Money Management Act, Section 51-7, Utah Code Annotated, 1953, as amended. The Act established the Money Management Council, which oversees the activities of the State Treasurer and the PTIF and details the types of authorized investments. Deposits in the PTIF are not insured or otherwise guaranteed by the State of Utah, and participants share proportionately in any realized gains or losses on investments.

The PTIF operates and reports to participants on an amortized cost basis. The income, gains, and losses – net of administration fees, of the PTIF are allocated based upon the participant's average daily balance. The fair value of the PTIF investment pool is approximately equal to the value of the pool shares. As of June 30, 2005, all investments held by the District are in the PTIF, which has a maturity of less than 1 year.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2 - Deposits and Investments (continued)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The District's policy for managing its exposure to fair value loss arising from increasing interest rates is to comply with the State's Money Management Act. Section 51-7-11 of the Act requires that the remaining term to maturity of investments may not exceed the period of availability of the funds to be invested. The Act further limits the remaining term to maturity on all District investments in commercial paper, bankers' acceptances, fixed rate negotiable deposits, and fixed rate corporate obligations to 270-365 days or less. In addition, variable rate negotiable deposits and variable rate securities may not have a remaining term to final maturity exceeding 2 years.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The District's policy for reducing exposure to credit risk is to comply with the State's Money Management Act as previously discussed. At June 30, 2005, all investments held by the District are in the PTIF which is unrated.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District's policy for reducing this risk is to comply with the Rules of the Money Management Council. Rule 17 of the Money Management Council limits investments in a single issuer of commercial paper and corporate obligations to 5-10% depending upon the total dollar amount held in the portfolio.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District's policy for custodial risk is to use the PTIF whenever possible. As of June 30, 2005, all of the District's investments were in the PTIF.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2 - Deposits and Investments (continued)

B. Component Unit

At June 30, 2005, the Foundation's deposits and investments consisted of the following:

<u>Financial Statement Description</u>	<u>Deposits</u>	<u>Investments</u>	<u>Total</u>
Cash and cash equivalents:			
Demand deposits	\$ 42,205	-	42,205
Money market mutual fund	-	10,687	10,687
Certificates of deposit	<u>94,871</u>	<u>-</u>	<u>94,871</u>
	<u>137,076</u>	<u>10,687</u>	<u>147,763</u>
Investments:			
Money market mutual fund	-	29,732	29,732
Equities	<u>-</u>	<u>66,359</u>	<u>66,359</u>
	\$ <u>137,076</u>	<u>106,778</u>	<u>243,854</u>

Deposits

Custodial Credit Risk

Custodial credit risk is the risk that, in the event of a bank failure, the Foundation's deposits may not be returned. The Foundation does not have a formal deposit policy for custodial credit risk. As of June 30, 2005, all of Foundation's bank balances of \$162,935 were insured.

Investments

The Foundation follows the applicable investing criteria described above for the primary government.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Foundation's policy for managing its interest rate risk is the same as described above for the primary government.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 2 - Deposits and Investments (continued)

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Foundation's policy for reducing exposure to investment credit rate risk is the same as described above for the primary government.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The Foundation's policy for reducing its risk of loss due to concentrations is the same as described above for the primary government.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Foundation will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Foundation does not have a formal policy for custodial credit risk.

Note 3 - Receivables

The District's receivables consist primarily of: (1) amounts due from the State of Utah, (2) amounts due from the Cache County School District, and (3) property taxes receivable from the Cache County.

Property taxes receivable are summarized as follows:

Levied for current and prior years (delinquent)	\$ 232,770
Taxes receivable subject to accrual	273,512
Levied for future year	<u>9,928,922</u>
	\$ <u>10,435,204</u>

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 4 - Capital Assets

A summary of changes in capital assets follows:

	Balance <u>7/1/2004</u>	<u>Additions</u>	<u>Retirements</u>	<u>Transfers/ Adjustments</u>	Balance <u>6/30/2005</u>
Capital assets, not being depreciated:					
Land	\$ 3,246,875	-	-	-	3,246,875
Construction in process	<u>9,412,350</u>	<u>1,070,616</u>	<u>-</u>	<u>(9,085,069)</u>	<u>1,397,897</u>
	<u>12,659,225</u>	<u>1,070,616</u>	<u>-</u>	<u>(9,085,069)</u>	<u>4,644,772</u>
Capital assets, being depreciated:					
Buildings and improvements	58,010,336	2,381,011	-	9,085,069	69,476,416
Equipment	<u>1,079,117</u>	<u>58,778</u>	<u>-</u>	<u>-</u>	<u>1,137,895</u>
	<u>59,089,453</u>	<u>2,439,789</u>	<u>-</u>	<u>9,085,069</u>	<u>70,614,311</u>
Total capital assets	<u>71,748,678</u>	<u>3,510,405</u>	<u>-</u>	<u>-</u>	<u>75,259,083</u>
Accumulated depreciation for:					
Buildings and improvements	(19,218,670)	(1,986,842)	-	-	(21,205,512)
Equipment	<u>(767,558)</u>	<u>(60,106)</u>	<u>-</u>	<u>-</u>	<u>(827,664)</u>
	<u>(19,986,228)</u>	<u>(2,046,948)</u>	<u>-</u>	<u>-</u>	<u>(22,033,176)</u>
Total capital assets, net	\$ <u>51,762,450</u>	<u>1,463,457</u>	<u>-</u>	<u>-</u>	<u>53,225,907</u>

Depreciation expense was charged to functions of the District as follows:

Instruction	\$ 1,572,056
Supporting services:	
Students	34,798
Instructional staff	100,300
District administration	40,939
School administration	79,831
Central	8,188
Operation and maintenance of facilities	49,127
Non-instructional/community services	26,610
School food services	<u>135,099</u>
	\$ <u>2,046,948</u>

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 4 - Capital Assets (continued)

The District was obligated at June 30, 2005, under a construction commitment for the Logan High School athletic fields/turf for an estimated \$402,778 to complete this project.

Note 5 - Long-Term Obligations

Long-term liability activity for the year ended June 30, 2005, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental activities:</u>					
<u>Bonds payable:</u>					
General obligation bonds	\$ 24,135,000	-	(1,220,000)	22,915,000	1,245,000
Bond issuance premiums	322,071	-	(21,471)	300,600	-
Deferred amounts on refunding	<u>(860,796)</u>	<u>-</u>	<u>78,254</u>	<u>(782,542)</u>	<u>-</u>
	23,596,275	-	(1,163,217)	22,433,058	1,245,000
Post-retirement benefits	<u>920,919</u>	<u>480,610</u>	<u>(271,368)</u>	<u>1,130,161</u>	<u>429,668</u>
Total governmental activity long-term liabilities	\$ <u>24,517,194</u>	<u>480,610</u>	<u>(1,434,585)</u>	<u>23,563,219</u>	<u>1,674,668</u>

Payments on the general obligation bonds are made by the debt service fund with property taxes. The early retirement benefits are typically paid by the fund in which the employee worked.

General Obligation Bonds

The District is current on all bond payments and is in compliance with the significant terms of the bond agreements.

Bond Issuance Premiums

Premiums received at the issuance of new bonds are being amortized over the life of related debt.

Deferred Amounts on Refunding

The 2004 Serial bonds reacquisition price of the defeasance transaction (assets placed in escrow) exceeded the net carrying amount of the old debt by \$860,796. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS

June 30, 2005

Note 5 - Long-Term Obligations (continued)

The annual cash requirements to amortize all general obligation bonds outstanding as of June 30, 2005 including interest payments were as follows:

Year Ending <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 1,245,000	911,393	2,156,393
2007	1,305,000	850,543	2,155,543
2008	1,360,000	790,780	2,150,780
2009	1,430,000	725,805	2,155,805
2010	1,480,000	676,005	2,156,005
2011-2015	8,230,000	2,542,145	10,772,145
2016-2020	<u>7,865,000</u>	<u>799,330</u>	<u>8,664,330</u>
	\$ <u>22,915,000</u>	<u>7,296,001</u>	<u>30,211,001</u>

General obligation school building bonds payable at June 30, 2005, with their outstanding balances are comprised of the following individual issues:

\$8,000,000 series 1998, serial bonds due in annual installments of \$650,000 to \$700,000 starting in 2006 through June 15, 2008; interest ranging from 4.65% to 5.25%	\$ 2,025,000
\$7,500,000 series 1999, serial bonds due in annual installments of \$480,000 to \$530,000 starting in 2006 through June 15, 2008; interest ranging from 4.65% to 5.25%.	2,070,000
\$9,105,000 series 2003, serial bonds due in annual installments of \$30,000 to \$2,095,000 starting in 2004 through June 15, 2019; interest ranging from 2.00% to 4.00%	6,850,000
\$12,050,000 series 2004, serial bonds due in annual installments of \$80,000 to \$1,700,000 starting in 2005 through June 15, 2017; interest ranging from 2.50% to 4.00%	<u>11,970,000</u>
	\$ <u>22,915,000</u>

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 5 - Long-Term Obligations (continued)

Post-employment benefits

The annual requirements to pay post-retirement benefits are estimated as follows:

<u>Year Ending</u> <u>June 30,</u>	<u>Amount</u>
2006	\$ 429,668
2007	361,455
2008	238,318
2009	<u>100,720</u>
	\$ <u>1,130,161</u>

Defeased debt

In prior years, the District has defeased various bond issues by creating separate irrevocable trust funds. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in the trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements. As of June 30, 2005 the amount of defeased debt outstanding but removed from the District's financial statements amounted to \$11,405,000.

Note 6 - Deferred Revenue

Deferred revenues in the Statement of Net Assets have been recorded for the following transactions where the revenue recognition criteria have not been met.

	<u>Collected</u> <u>In Advance</u>	<u>Estimated</u> <u>Future taxes</u>	<u>Total</u>
Property taxes and fees in lieu:			
General (M&O) Fund	\$ 1,045,793	4,570,240	5,616,033
Special Revenue Funds:			
Non K-12 Programs Fund	115,094	502,971	618,065
Debt Service Fund	437,043	1,909,931	2,346,974
Capital Projects Fund	<u>674,073</u>	<u>2,945,780</u>	<u>3,619,853</u>
	\$ <u>2,272,003</u>	<u>9,928,922</u>	<u>12,200,925</u>

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 6 - Deferred Revenue (continued)

Additional deferred revenue of \$232,769 is recorded in the Balance Sheet of the Governmental Funds for delinquent taxes that are receivable but not available under the current financial resources measurement focus.

Note 7 - Fund Balance

Restrictions

Restrictions in the Statement of Net Assets are imposed by parties outside the District. These restrictions are for legal debt service requirements and federal funds carried over for specific programs.

Reservations

Reservations of fund balances on the Governmental Funds Balance Sheet are established to either (1) satisfy legal covenants that require that a portion of the fund balance be segregated or (2) identify the portion of the fund balance appropriable for future expenditures only for specific purposes. Specific reservations of the fund balance accounts are summarized below.

Reserved for debt service – The reserve for debt service was created to segregate a portion of the fund balance account for debt service, including both principal and interest payments.

Reserved for inventory – The reserve for inventory was created to represent the portion of the fund balance that is not available for expenditures because the District maintains an inventory of food supplies.

Reserved for program expenditures – The reserve for program expenditures represents unexpended carryover funds for specific programs and was created to restrict the use of resources for those programs in the following year.

Designations

Designated for death benefit insurance – The designation for death benefit insurance was created to segregate a portion of the Maintenance and Operation Fund (M&O) to meet potential future obligations.

Designation for undistributed reserve - State statute 53A-19-103 allows school districts to have an undistributed M&O reserve not to exceed five percent of the total M&O budget by a written resolution adopted by a majority vote of the Board. According to law, the Board may not use undistributed reserves in negotiations or settlement of contract salaries for school district employees. The District has \$800,000 in the undistributed reserve.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 7 - Fund Balance (continued)

Designations of fund balance – The designations of fund balance represent tentative plans for future uses of financial resources. At June 30, 2005, the board and management had designated funds for programs lacking dedicated funding sources and future school site purchases.

Note 8 - Expenditures and Appropriations

Section 53A-19-106 of the Utah Code requires that “the business administrator of a local school board may not draw warrants on school district funds except in accordance with and within the limits of the budget passed by the local school board.” During fiscal year 2005, expenditures in the Food Service Fund exceeded the authorized budget by \$9,257. However, commodity expenses caused the budget variance in the Food Service Fund, which is a non-cash expense and therefore no budgetary violation occurred.

Note 9 - Operating Lease and Service Agreement

The District has entered into an operating lease and service agreement with Xerox Corporation (Xerox) for copier services within the District. The District has access to copiers provided by Xerox and pays lease amounts calculated on a base fee plus cost per copy basis.

Note 10 - Retirement Plans

Defined Benefit Plans

The District contributes to the Local Governmental Contributory Retirement System and Local Governmental Noncontributory Retirement System which are multiple employer, cost sharing defined benefit pension plans administered by the Utah Retirement Systems. All District employees hired to a position expected to last at least 9 months and who work 20 or more hours per week are eligible to participate in the pension plans. Utah Retirement Systems provides refunds, retirement benefits, annual cost of living adjustments, and death benefits to plan members and beneficiaries in accordance with retirement statutes.

The systems are established and governed by the respective sections of Chapter 49 of the Utah Code Annotated 1953 as amended. The Utah State Retirement Office Act in Chapter 49 provides for the administration of the Utah Retirement Systems and Plans under the direction of the Utah State Retirement Board (Board) whose members are appointed by the Governor. The Board issues a publicly available financial report that includes financial statements and required supplementary information for the Local Governmental Contributory Retirement System and

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 10 - Retirement Plans (continued)

Local Governmental Noncontributory Retirement System. A copy of this report may be obtained by writing to the Utah Retirement Systems, 540 East 200 South, Salt Lake City, UT 84102, or by calling 1-800-365-8772.

During fiscal year 2005, plan members in the Local Governmental Contributory Retirement System were required to contribute 6% of their annual covered salary (of which 5.0% was paid by the District for the employee) and the District was required to contribute 8.89%, of their annual covered salary. In the Local Governmental Noncontributory Retirement System the District was required to contribute 13.38% of their annual covered salary. The contribution rates are the actuarially determined rates. The contribution requirements of the Utah Retirement Systems are authorized by statute and specified by the Board.

Contributions to the Local Governmental Contributory and Noncontributory Retirement Systems for the years ending June 30, 2005, 2004 and 2003 were as follows:

A. Local Governmental System - Contributory

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Salary subject to retirement contributions	\$ 325,974	377,958	386,238
Employee paid contributions	3,260	3,780	3,862
Employer paid for employee contributions	16,300	18,899	19,313
Employer contributions	28,979	27,251	22,827

B. Local Governmental System - Noncontributory

	<u>2005</u>	<u>2004</u>	<u>2003</u>
Salary subject to retirement contributions	\$ 16,281,399	15,826,413	15,151,325
Employer contributions	2,178,452	1,851,692	1,575,738

All contributions by the District were paid by the due dates or within 30 days thereafter and were equal to the required contributions for each year.

The Board of the Utah Retirement Systems provides the District with the necessary retirement disclosures for their report. The Retirement Systems have implemented the accounting and reporting requirements of Governmental Accounting Standards Board (GASB) Statement No. 27 "Accounting for Pensions by State and Local Governmental Employers".

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 10 - Retirement Plans (continued)

Defined Contribution Plans

The District also participates in two defined contribution plans under section 401(k) of the Internal Revenue Code to supplement retirement benefits earned by participants in the State Systems. Employees may elect to participate in either the plan administered by the Utah Retirement Systems or the plan administered by Utah Interlocal Educational Benefits Trust. Employees have a contribution of 1.5% of their covered salaries automatically made for them by the District. Under the plans, eligible employees may elect to defer a portion of their salary, subject to Internal Revenue Service limits. Contributions and earnings may be withdrawn by the employee upon termination or may be used as supplemental income upon retirement. Contributions of \$715,348 were made to the 401(k) plans during the year ended June 30, 2005. Of this amount, employees contributed \$451,959 and the District contributed \$263,389 on behalf of the employees. The 401(k) plan funds are fully vested to the participants at the time of deposit.

The District maintains four qualified plans under section 403(b) of the Internal Revenue Code. Employees may elect to participate in any of these plans and contribute a portion of their salary, subject to Internal Revenue Service limits. The District does not make contributions on behalf of employees to these plans. The District's involvement is limited to withholding the amounts elected by employees and remitting those amounts to the respective approved plan trustees.

Deferred Compensation Plans

The District offers employees voluntary participation in two deferred compensation plans created in accordance with Internal Revenue Code (IRC) Section 457. The plans are available to all employees and permit them to defer a portion of their salary until future years. The District's involvement is limited to withholding the amounts elected by employees and remitting those amounts to the respective approved plan trustees.

Note 11 - Post Employment Benefits

In addition to the pension benefits and deferred compensation benefits described in Note 10, the District also provides early retirement, post employment benefits and death benefit life insurance in accordance with negotiated agreements. Early retirement benefits are for a maximum of four years or until the retiree becomes eligible to receive full social security benefits. At year-end, there are twenty nine retirees who are receiving benefits. The District finances the plan on a pay-as-you-go basis.

LOGAN CITY SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS
June 30, 2005

Note 11 - Post Employment Benefits (continued)

Expenditures for post employment are recognized in the year paid. During the year, approximately \$271,000 was paid for post employment benefits. A non-current liability of \$1,130,161 is shown on the government-wide financial statements for total post employment benefits expected to be paid as of June 30, 2005.

Expenditures for death benefits are recognized in the year paid. During the year, the District incurred no costs for death benefit life insurance and no liability has been accrued.

Note 12 - Public Entity Risk Pool

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, and natural disasters. The District participates in the Utah State Risk Management Insurance Fund, a public entity risk pool managed by an agency of the state government. The District pays an annual premium to a trust set up for the forty school districts in the State which participate in the risk pool for general insurance coverage. The Trust was created to be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of one million dollars for each insured event. As of June 30, 2005 there were no outstanding unpaid claims. For the past three years, the District has had no claim settlements that exceeded its insurance coverage.

LOGAN CITY SCHOOL DISTRICT
REQUIRED SUPPLEMENTARY INFORMATION

LOGAN CITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE
GENERAL (MAINTENANCE & OPERATION) FUND
Year Ended June 30, 2005

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Revenue:				
Local sources:				
Taxes	\$ 5,205,145	5,213,216	5,218,533	5,317
Tuition	100,000	70,000	76,244	6,244
Earnings on investments	220,000	205,000	258,549	53,549
Local government units	260,000	200,000	166,091	(33,909)
Other local revenue	330,000	295,000	292,140	(2,860)
State grants-in-aid	19,507,761	19,480,242	19,490,465	10,223
Federal sources	<u>3,181,337</u>	<u>4,351,767</u>	<u>4,041,178</u>	<u>(310,589)</u>
Total revenues	<u>28,804,243</u>	<u>29,815,225</u>	<u>29,543,200</u>	<u>(272,025)</u>
Expenditures:				
Instruction	22,395,727	22,971,436	22,327,359	644,077
Support services:				
Students	508,848	600,264	529,667	70,597
Instructional staff	1,098,702	1,169,850	1,159,529	10,321
District administration	332,466	346,506	311,111	35,395
School administration	1,547,010	1,615,520	1,620,311	(4,791)
Central	270,792	263,496	258,644	4,852
Operation and maintenance of facilities	2,786,084	2,512,521	2,396,804	115,717
Student transportation	<u>799,168</u>	<u>825,134</u>	<u>839,247</u>	<u>(14,113)</u>
Total expenditures	<u>29,738,797</u>	<u>30,304,727</u>	<u>29,442,672</u>	<u>862,055</u>
Excess (deficiency) of revenues over expenditures	<u>(934,554)</u>	<u>(489,502)</u>	<u>100,528</u>	<u>590,030</u>
Other financing uses:				
Transfers out	<u>-</u>	<u>(156,348)</u>	<u>(156,348)</u>	<u>-</u>
Total other financing uses	<u>-</u>	<u>(156,348)</u>	<u>(156,348)</u>	<u>-</u>
Net changes in fund balances	<u>\$ (934,554)</u>	<u>(645,850)</u>	<u>(55,820)</u>	<u>590,030</u>
Fund balance at beginning of year			<u>3,391,658</u>	
Fund balance at end of year	\$		<u>3,335,838</u>	

LOGAN CITY SCHOOL DISTRICT
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2005

Note 1 - Budgetary Basis of Accounting

A Budgetary Comparison Schedule is presented for the General Fund and each major special revenue fund as required by generally accepted accounting principles (GAAP). Budgets for the governmental funds are adopted on a GAAP basis. Budgets are not adopted at the District level for the Logan City School District Foundation or the Student Activities Agency Fund. Expenditures may not legally exceed budgeted appropriations at the fund level. Appropriations lapse at fiscal year end.

Note 2 - Budgeted Increases and Decreases

Each fund has a balanced budget. Any excess of revenues over expenditures in the budget columns in the Required Supplementary Information schedule represents budgeted increases to fund balance approved by the District's Board of Education. Any deficiency of revenues over expenditures in the budget columns on Required Supplementary Information schedules represents fund balance appropriated by the District's Board of Education.

Note 3 - Budget Adoption and Monitoring

The District's procedures in establishing the budgetary data reflected in the Budgetary Comparison Schedule are as follows:

The Superintendent and Business Administrator submit to the Board of Education during June of each year a tentative operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them. Included also is a final amended budget for the current year ending June 30th.

Prior to June 22, the Board of Education holds a public hearing at which time taxpayers' comments are heard. At the conclusion of the budget hearing, the budget as amended, is legally enacted by Board action. However, if property tax revenue budgeted exceeds the certified tax rate as established by the State Tax Commission, the District can only adopt a tentative budget for those funds that contain property tax increases. The District is then required to hold a public hearing to comply with "Truth in Taxation" State law. The District publishes a prescribed advertisement in the local newspaper stating the amount and percentage of the proposed tax change above the certified rate. The District then holds a public hearing before August 17th. After the public hearing, the Board of Education then adopts the final tax rates and authorizes the corresponding budget. The budget is then approved reflecting the tax rates adopted and other approved changes from the tentative budget.

Budget appropriations may only be changed by action of the Board of Education. If an increase in budget appropriations at the fund level is proposed, the procedures used when enacting the original budget including a properly advertised public hearing are followed.

This page has been intentionally left blank

LOGAN CITY SCHOOL DISTRICT
SUPPLEMENTARY INFORMATION

LOGAN CITY SCHOOL DISTRICT
MAJOR DEBT SERVICE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - (Budget and Actual)
Year Ended June 30, 2005
(With Comparative Totals for 2004)

	<u>2005</u>			<u>2004</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenue:				
Local sources:				
Taxes	\$ <u>2,123,790</u>	<u>2,125,956</u>	<u>2,166</u>	<u>2,078,271</u>
Total revenues	<u>2,123,790</u>	<u>2,125,956</u>	<u>2,166</u>	<u>2,078,271</u>
Expenditures:				
Bond principle	<u>1,220,000</u>	<u>1,220,000</u>	<u>-</u>	<u>1,115,000</u>
Bond interest	<u>936,193</u>	<u>938,693</u>	<u>(2,500)</u>	<u>1,040,688</u>
Fees	<u>30,000</u>	<u>3,184</u>	<u>26,816</u>	<u>104,063</u>
Total expenditures	<u>2,186,193</u>	<u>2,161,877</u>	<u>24,316</u>	<u>2,259,751</u>
Deficiency of revenues over expenditures	<u>(62,403)</u>	<u>(35,921)</u>	<u>26,482</u>	<u>(181,480)</u>
Other financing sources (uses):				
Bond proceeds	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,372,071</u>
Refunding of bonds	<u>-</u>	<u>-</u>	<u>-</u>	<u>(12,265,796)</u>
Net change in fund balances	\$ <u><u>(62,403)</u></u>	<u>(35,921)</u>	<u><u>26,482</u></u>	<u>(75,205)</u>
Fund balance at beginning of year		<u>182,693</u>		<u>257,898</u>
Fund balance at end of year	\$	<u><u>146,772</u></u>		<u><u>182,693</u></u>

LOGAN CITY SCHOOL DISTRICT
MAJOR CAPITAL PROJECTS FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - (Budget and Actual)
Year Ended June 30, 2005
(With Comparative Totals for 2004)

	<u>2005</u>			<u>2004</u>
	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual</u>
Revenue:				
Local sources:				
Taxes	\$ 3,207,664	3,210,937	3,273	3,302,929
Earnings on investments	-	13,594	13,594	14,034
Other local revenue	<u>259,617</u>	<u>215,934</u>	<u>(43,683)</u>	<u>75,629</u>
Total revenues	<u>3,467,281</u>	<u>3,440,465</u>	<u>(26,816)</u>	<u>3,392,592</u>
Expenditures:				
Operation and maintenance of facilities	259,788	225,842	33,946	293,608
Instruction - 10% of Basic	1,167,500	1,136,568	30,932	984,618
Acquisition, construction and maintenance	<u>6,037,358</u>	<u>5,146,790</u>	<u>890,568</u>	<u>8,965,542</u>
Total expenditures	<u>7,464,646</u>	<u>6,509,200</u>	<u>955,446</u>	<u>10,243,768</u>
Deficiency of revenues over expenditures	\$ <u><u>(3,997,365)</u></u>	<u>(3,068,735)</u>	<u>928,630</u>	<u>(6,851,176)</u>
Fund balance at beginning of year		<u>4,537,745</u>		<u>11,388,921</u>
Fund balance at end of year	\$	<u><u>1,469,010</u></u>		<u><u>4,537,745</u></u>

LOGAN CITY SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING BALANCE SHEET
June 30, 2005

	Special Revenue		Total
	Non	School	Nonmajor
	K-12	Food	Governmental
		Service	Funds
<u>Assets</u>			
Equity in pooled cash and investments	\$ 910,324	411,409	1,321,733
Receivables:			
Property taxes	528,283	-	528,283
Intergovernmental	-	64,719	64,719
Inventory	-	85,066	85,066
Total assets	\$ <u>1,438,607</u>	<u>561,194</u>	<u>1,999,801</u>
<u>Liabilities and Fund Balance</u>			
Accounts payable	\$ 40,145	82,235	122,380
Deferred revenue	<u>629,856</u>	-	<u>629,856</u>
Total liabilities	<u>670,001</u>	<u>82,235</u>	<u>752,236</u>
Fund balance:			
Reserved for inventory	-	85,066	85,066
Reserved for program expenditures	164,879	-	164,879
Unreserved:			
Designated	402,832	-	402,832
Undesignated	<u>200,895</u>	<u>393,893</u>	<u>594,788</u>
Total fund balance	<u>768,606</u>	<u>478,959</u>	<u>1,247,565</u>
Total liabilities and fund balance	\$ <u>1,438,607</u>	<u>561,194</u>	<u>1,999,801</u>

LOGAN CITY SCHOOL DISTRICT
NONMAJOR GOVERNMENTAL FUNDS
COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2005

	<u>Special Revenue</u>		<u>Total</u>
	<u>Non</u>	<u>School</u>	<u>Nonmajor</u>
	<u>K-12</u>	<u>Food</u>	<u>Governmental</u>
		<u>Service</u>	<u>Funds</u>
Revenues:			
Local revenues:			
Property taxes	\$ 528,075	-	528,075
Student fees	36,451	-	36,451
Food service sales	-	649,752	649,752
Other local revenue	-	25,549	25,549
State revenues	341,961	230,990	572,951
Federal revenues	61,258	1,190,134	1,251,392
	<u>967,745</u>	<u>2,096,425</u>	<u>3,064,170</u>
Total revenues			
Expenditures:			
Support services:			
Non-instructional/community services	1,049,183	-	1,049,183
Non-educational services:			
Food services	-	2,160,373	2,160,373
	<u>1,049,183</u>	<u>2,160,373</u>	<u>3,209,556</u>
Total expenditures			
Deficiency of revenues			
over expenditures	<u>(81,438)</u>	<u>(63,948)</u>	<u>(145,386)</u>
Other financing sources:			
Transfers in	156,348	-	156,348
	<u>156,348</u>	<u>-</u>	<u>156,348</u>
Total other financing sources			
Net change in fund balances	74,910	(63,948)	10,962
Fund balance at beginning of year	693,696	542,907	1,236,603
Fund balance at end of year	<u>\$ 768,606</u>	<u>478,959</u>	<u>1,247,565</u>

LOGAN CITY SCHOOL DISTRICT
NON K-12 PROGRAMS
NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - (Budget and Actual)

Year Ended June 30, 2005
(With Comparative Totals for 2004)

	<u>2005</u>			<u>2004</u>
	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>	<u>Actual Amounts</u>
Revenues:				
Local revenues:				
Taxes	\$ 527,537	528,075	538	560,058
Tuition	20,000	36,451	16,451	23,397
State revenues	325,583	341,961	16,378	288,638
Federal revenues	61,258	61,258	-	60,340
Total revenues	<u>934,378</u>	<u>967,745</u>	<u>33,367</u>	<u>932,433</u>
Expenditures:				
Support services:				
Non-instructional/community services:				
Salaries	569,601	478,630	90,971	420,470
Employee benefits	189,935	131,289	58,646	133,418
Purchased services	477,800	321,439	156,361	179,179
Other	95,000	117,825	(22,825)	122,423
Total expenditures	<u>1,332,336</u>	<u>1,049,183</u>	<u>283,153</u>	<u>855,490</u>
Excess (deficiency) of revenues over expenditures	<u>(397,958)</u>	<u>(81,438)</u>	<u>316,520</u>	<u>76,943</u>
Other financing sources:				
Transfers in	<u>156,348</u>	<u>156,348</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>156,348</u>	<u>156,348</u>	<u>-</u>	<u>-</u>
Net change in fund balances	\$ <u>(241,610)</u>	74,910	<u>316,520</u>	76,943
Fund balance at beginning of year		<u>693,696</u>		<u>616,753</u>
Fund balance at end of year	\$	<u>768,606</u>		<u>693,696</u>

LOGAN CITY SCHOOL DISTRICT
SCHOOL FOOD SERVICE FUND
NONMAJOR SPECIAL REVENUE FUND
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - (Budget and Actual)
Year Ended June 30, 2005
(With Comparative Totals for 2004)

	<u>2005</u>		<u>Variance</u>	<u>2004</u>
	<u>Final</u>	<u>Actual</u>	<u>Favorable</u>	<u>Actual</u>
	<u>Budget</u>		<u>(Unfavorable)</u>	
Revenues:				
Local revenues:				
Food service sales	\$ 680,000	649,752	(30,248)	678,387
Other local revenue	21,000	25,549	4,549	22,481
State revenues:				
Restricted grants-in-aid	218,548	230,990	12,442	216,384
Federal revenues	984,258	1,190,134	205,876	1,110,340
Total revenues	<u>1,903,806</u>	<u>2,096,425</u>	<u>192,619</u>	<u>2,027,592</u>
Expenditures:				
Non-educational services:				
Food services:				
Salaries	786,672	753,783	32,889	662,188
Employee benefits	262,444	252,926	9,518	218,027
Food	960,000	1,025,173	(65,173)	803,005
Supplies, repairs and other	142,000	128,491	13,509	184,074
Total expenditures	<u>2,151,116</u>	<u>2,160,373</u>	<u>(9,257)</u>	<u>1,867,294</u>
Excess (deficiency) of revenues over expenditures	\$ <u>(247,310)</u>	(63,948)	<u>183,362</u>	160,298
Fund balance at beginning of year		<u>542,907</u>		<u>382,609</u>
Fund balance at end of year	\$	<u>478,959</u>		<u>542,907</u>

LOGAN CITY SCHOOL DISTRICT
STUDENT ACTIVITIES AGENCY FUND
COMBINING BALANCE SHEET
June 30, 2005

	<u>High School</u>	<u>Middle School</u>	<u>Total</u>
Assets:			
Cash	\$ 53,929	22,196	76,125
Equity in pooled cash and investments	<u>150,000</u>	<u>57,500</u>	<u>207,500</u>
Total assets	<u>\$ 203,929</u>	<u>79,696</u>	<u>283,625</u>
Liabilities:			
Unallocated student funds	\$ 81,666	64,184	145,850
Due to student groups	<u>122,263</u>	<u>15,512</u>	<u>137,775</u>
Total liabilities	<u>\$ 203,929</u>	<u>79,696</u>	<u>283,625</u>

LOGAN CITY SCHOOL DISTRICT
STUDENT ACTIVITIES AGENCY FUND
COMBINED STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2005

	<u>Balance</u> <u>7/1/2004</u>	<u>Additions</u>	<u>Deductions &</u> <u>Eliminations</u>	<u>Balance</u> <u>6/30/2005</u>
Total - All Agency Funds				
Assets:				
Cash	\$ 72,112	1,138,419	(1,134,406)	76,125
Equity in pooled cash and investments	<u>252,500</u>	<u>-</u>	<u>(45,000)</u>	<u>207,500</u>
Total assets	<u>\$ 324,612</u>	<u>1,138,419</u>	<u>(1,179,406)</u>	<u>283,625</u>
Liabilities:				
Unallocated student funds	\$ 151,650	121,112	(126,912)	145,850
Due to student groups	<u>172,962</u>	<u>1,017,308</u>	<u>(1,052,495)</u>	<u>137,775</u>
Total liabilities	<u>\$ 324,612</u>	<u>1,138,420</u>	<u>(1,179,407)</u>	<u>283,625</u>

LOGAN CITY SCHOOL DISTRICT
SCHEDULE OF CAPITAL ASSETS
June 30, 2005

		Land	Construction in Process	Buildings	Equipment	Total
Adams	\$	219,172	-	4,085,731	-	4,304,903
Bridger		236,400	-	7,858,366	-	8,094,766
Ellis		234,227	-	2,372,801	-	2,607,028
Hillcrest		69,892	-	2,291,800	-	2,361,692
Riverside		65,207	-	539,478	-	604,685
Wilson		351,158	-	6,907,136	-	7,258,294
Woodruff		144,028	-	5,405,982	-	5,550,010
Middle School		261,853	-	12,181,530	110,720	12,554,103
Senior High School		1,206,906	1,397,897	24,426,274	25,960	27,057,037
North Campus		3,000	-	185,385	-	188,385
South Campus		87,639	-	1,450,060	-	1,537,699
District Office		367,393	-	1,771,873	1,001,215	3,140,481
Totals	\$	<u>3,246,875</u>	<u>1,397,897</u>	<u>69,476,416</u>	<u>1,137,895</u>	<u>75,259,083</u>

LOGAN CITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN CAPITAL ASSETS
Year Ended June 30, 2005

	Balance 7/1/2004	Additions	Deletions	Transfers and Adjustments	Balance 6/30/2005
Adams	\$ 3,685,032	619,871	-	-	4,304,903
Bridger	7,335,381	759,385	-	-	8,094,766
Ellis	2,607,028	-	-	-	2,607,028
Hillcrest	2,195,095	166,597	-	-	2,361,692
Riverside	583,481	21,204	-	-	604,685
Wilson	7,258,294	-	-	-	7,258,294
Woodruff	4,762,023	787,987	-	-	5,550,010
Middle School	12,517,416	36,687	-	-	12,554,103
Senior High School	25,960,461	1,096,576	-	-	27,057,037
North Campus	188,385	-	-	-	188,385
South Campus	1,537,699	-	-	-	1,537,699
District Office	3,118,383	22,098	-	-	3,140,481
Totals	\$ <u>71,748,678</u>	<u>3,510,405</u>	<u>-</u>	<u>-</u>	<u>75,259,083</u>

This page has been intentionally left blank

LOGAN CITY SCHOOL DISTRICT

SINGLE AUDIT REPORTS

June 30, 2005

LOGAN CITY SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
Year Ended June 30, 2005

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA No.	Pass-through Number	District's Program Number	Expenditures
<u>U.S. Department of Agriculture (DOA)</u>				
Passed through State Office of Education:				
Food Distribution (Commodities)	10.550	N/A	N/A	\$ 187,404
School Breakfast Program	10.553	44-2501-01	N/A	147,805
National School Lunch Program	10.555	42-2501-01	N/A	135,423
School Lunch Special Assistance	10.555	43-2501-01	N/A	711,037
Special Milk Program For Children	10.556	41-2501-01	N/A	403
Total DOA				<u>1,182,072</u>
<u>U.S. Dept of Education (DOE)</u>				
Direct Programs:				
Federal Mentoring Grant	84.184	N/A	7400	98,411
FEA Earmark	84.215	N/A	7390/7391/7320	283,851
Twenty First Century Community Learning Centers Program	84.287	R287B990147	7350	546,010
Passed Through State Office of Education:				
Title 1A - Improving Academic Achievement	84.010	08-0521-8C	7511	916,995
Special Education	84.027	19-0521-8C	1205	1,232,286
Applied Technology Education	84.048	21-1221-21	6965	113,195
Title 3A - English Language Acquisition	84.162	57-0521-8C	7608	34,853
Special Education - Preschool Grants	84.173	52-0521-8C	1206	61,258
Education for Homeless Children Grant	84.196	28-0521-8B	7610	16,690
Twenty First Century Community Learning Centers Program	84.287	60-0662-82	7360	239,229
Title 5A - Innovative Programs	84.298	91-0331-8A	7626	26,696
Title 2D - Education Technology	84.318	07-0331-8A	7505	37,784
Title 2A - Improving Teacher Quality	84.367	74-0331-8C	7500	322,710
Total DOE				<u>3,929,968</u>
<u>U.S. Dept of Health and Human Services (HHS)</u>				
Passed through Ogden City School District:				
Americorps	94.006	N/A	7602	53,079
Total HHS				<u>53,079</u>
Total				<u>\$ 5,165,119</u>

LOGAN CITY SCHOOL DISTRICT
Notes to the Schedule of Expenditures of Federal Awards
Year Ended June 30, 2005

Note 1 – Purpose of the Schedule

The Schedule of Expenditures of Federal Awards (the Schedule) is a supplemental schedule to the basic financial statements. The Schedule is required by the U.S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*.

Note 2 – Significant Account Policies

Basis of Accounting

The information in the Schedule is presented in accordance with OMB Circular A-133. The Schedule is prepared using the same accounting policies and basis of accounting as the basic financial statements.

CFDA Numbers

OMB Circular A-133 requires the Schedule to show the total expenditures for each of the entity's federal financial assistance programs as identified in the Catalog of Federal Domestic Assistance (CFDA). The CFDA is a government-wide compendium of individual federal programs. Each program included in the CFDA is assigned a five-digit program identification number (CFDA number).

Major Programs

OMB Circular A-133 establishes a risk-based approach to be used in defining major federal financial programs. Major Programs are identified in the schedule of findings and questioned costs.

Commodities

Federal commodity contributions are recorded as revenues. Expenditures are recorded when inventory is consumed. The fair market value of inventory consumed is included in the schedule of federal awards as Food Distribution.



1011 West 400 North, Suite 100
P.O. Box 747
Logan, UT 84323-0747
Phone: (435) 752-1510 • (877) 752-1510
Fax: (435) 752-4878

OFFICERS:

Paul D. Simkins, CPA
Michael C. Kidman, CPA, MBA
Brent S. Sandberg, CPA
Brett C. Hugie, CPA
Mark E. Low, CPA
H. Paul Gibbons, CPA

INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT
AUDITING STANDARDS*

To the Board of Education
Logan City School District
Logan, UT

We have audited the financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Logan City School District (the District) as of and for the year ended June 30, 2005 which collectively comprise the District's basic financial statements and have issued our report thereon dated November 18, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

This report is intended for the information of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JONES SIMKINS, P.C.
November 18, 2005



1011 West 400 North, Suite 100
P.O. Box 747
Logan, UT 84323-0747
Phone: (435) 752-1510 • (877) 752-1510
Fax: (435) 752-4878

OFFICERS:

Paul D. Simkins, CPA
Michael C. Kidman, CPA, MBA
Brent S. Sandberg, CPA
Brett C. Hugie, CPA
Mark E. Low, CPA
H. Paul Gibbons, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Board of Education
Logan City School District
Logan, UT

Compliance

We have audited the compliance of the Logan City School District (the District) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2005. The District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion of the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2005.

Internal Control Over Compliance

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts, and grants that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended for the information of the Board, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



JONES SIMKINS, P.C.
November 18, 2005

LOGAN CITY SCHOOL DISTRICT
Schedule of Findings and Questioned Costs
Year Ended June 30, 2005

A. Summary of Auditors' Results:

1.	Type of Report issued	Unqualified
2.	Reportable Conditions in Internal Control	None
3.	Material Non-compliance discovered	None
4.	Reportable Conditions in Internal Control Over Major Programs	None
5.	Compliance Report Issued	Unqualified
6.	Reportable findings under A-133	None
7.	Federal programs tested as major programs	Title 1A - Improving Academic Achievement CFDA # 84.010 Child Nutrition Cluster CFDA # 10.553 CFDA # 10.555 CFDA # 10.556
8.	Dollar threshold used to distinguish between Type A and Type B programs	\$ 300,000
9.	Auditee qualification as High or Low risk	Low

B. Findings related to the financial statements required to be reported in accordance with Government Auditing Standards.

None

C. Findings and Questioned Costs for Federal Awards

None

LOGAN CITY SCHOOL DISTRICT
Corrective Action Plan
(Client Submitted Document)
Year Ended June 30, 2005

There were no findings for the year ended June 30, 2005.

LOGAN CITY SCHOOL DISTRICT
Summary Schedule of Prior Year Audit Findings
(Client Submitted Document)
Year Ended June 30, 2005

There were no findings for the year ended June 30, 2004.

LOGAN CITY SCHOOL DISTRICT
STATE COMPLIANCE REPORT

June 30, 2005



1011 West 400 North, Suite 100
P.O. Box 747
Logan, UT 84323-0747
Phone: (435) 752-1510 • (877) 752-1510
Fax: (435) 752-4878

OFFICERS:
Paul D. Simkins, CPA
Michael C. Kidman, CPA, MBA
Brent S. Sandberg, CPA
Brett C. Hugie, CPA
Mark E. Low, CPA

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH STATE LEGAL COMPLIANCE REQUIREMENTS

To the Board of Education
Logan City School District
Logan, UT

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the Logan City School District (the District) for the year ended June 30, 2005 and have issued our report thereon dated November 18, 2005. As part of our audit, we have audited the District's compliance with the requirements governing types of services allowed or not allowed; eligibility; matching; level of effort or earmarking; reporting; and special tests and provisions applicable to each of its major state assistance programs as required by the State of Utah's Legal Compliance Audit Guide for the year ended June 30, 2005. The District received the following major state assistance programs from the State of Utah:

Minimum School Program Funding
School Lunch

The District also received the following nonmajor grants that are not required to be audited for specific compliance requirements. However, this program was subject to testwork as part of the audit of the District's financial statements.

Driver Education

Our audit also included testwork on the District's compliance with those general compliance requirements identified in the State of Utah Legal Compliance Audit Guide including:

Public Debt
Cash Management
Purchasing Requirements
Budgetary Compliance

Property Tax Limitations
Other General Compliance Issues
Fall Enrollment and Student Membership

The management of the District is responsible for the District's compliance with all compliance requirements identified above. Our responsibility is to express an opinion on compliance with those requirements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether material noncompliance with the requirements referred to above occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements. We believe that our audit provides a reasonable basis for our opinion.

The results of our audit disclosed immaterial instances of noncompliance with the requirements referred to above, which are described in the accompanying management letter. We considered these instances of noncompliance in forming our opinion on compliance, which is expressed in the following paragraph.

In our opinion the District complied, in all material respects, with the general compliance requirements identified above and the requirements governing types of services allowed or not allowed; eligibility; matching, level of effort, or earmarking; reporting; and special tests and provisions that are applicable to each of its major state assistance programs for the year ended June 30, 2005.



JONES SIMKINS, P.C.
November 18, 2005



Certified Public Accountants

1011 West 400 North, Suite 100

P.O. Box 747

Logan, UT 84323-0747

Phone: (435) 752-1510 • (877) 752-1510

Fax: (435) 752-4878

OFFICERS:

Paul D. Simkins, CPA

Michael C. Kidman, CPA, MBA

Brent S. Sandberg, CPA

Brett C. Hugie, CPA

Mark E. Low, CPA

H. Paul Gibbons, CPA

To the Logan City Board of Education
Logan City School District
Logan, Utah 84321

We have audited the financial statements of the Logan City School District (the District) for the year ended June 30, 2005, and have issued our report thereon dated November 18, 2005.

Communications Required Under Professional Standards

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under Generally Accepted Auditing Standards, Government Auditing Standards and OMB Circular A-133.

As stated in our engagement letter dated July 26, 2005, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement. Because of the concept of reasonable assurance and because we did not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud and defalcations, may exist and not be detected by us.

As part of our audit, we considered the internal control structure of the District. Such considerations were solely for the purpose of determining our audit procedures and to report on the internal control structure in accordance with *Government Auditing Standards* and OMB Circular A-133 and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we performed tests of the District's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the District's compliance with specific requirements applicable to major federal financial assistance programs for the purposes of expressing an opinion on the District's compliance with those requirements.

Significant Accounting Policies and Audit Adjustments

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application.

For the purposes of this letter, professional standards define a significant audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. We assisted the District in recording year-end adjusting entries.

Internal Control Structure

In planning and performing our audit of the financial statements of the District for the year ended June 30, 2005, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control.

A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control and its operation that we consider to be material weaknesses as defined above.

Also, in connection with our audit we tested compliance with laws, regulations, grants and binding policies and procedures in order to obtain a reasonable assurance about whether the financial statements are free of material misstatement. We noted no compliance matters that are required to be reported under *Government Auditing Standards* or OMB Circular A-133.

During our audit, we noted the following conditions that although not considered by us to be material weaknesses, are either weaknesses in internal accounting control for which corrective action might be taken, immaterial instances of noncompliance or other areas where operational efficiency might be improved.

Recommendations to the Business Administrator

1. The implementation of GASB Statement No. 40 "Deposit and Investment Risk Disclosures" requires the disclosure of certain District policies for handling and managing deposits and investments. We recommend these policies be included in the District's policies and procedures manual.

Management Response:

We will add a policy covering the management of deposits and investments as required by GASB Statement No. 40.

2. We encourage continued visits to schools to ensure that District policies and procedures are being followed and to provide support in maintaining a strong control environment.

Management Response:

The Business Office plans to increase visits and the time spent at schools reviewing controls and providing assistance as needed.

3. The District needs to determine before year-end if its early retirement benefits and associated post employment benefits must be accounted for in accordance with GASB Statement No. 45 "Accounting and Reporting by Employers for Post-employment Benefits Other than Pensions" or GASB Statement No. 47 "Accounting for Termination Benefits." The District's accounting for these benefits could change depending on which standard is applicable.

Management Response:

The Business Administrator plans to consult with the State of Office of Education and the independent auditing firm to make this determination.

Recommendations to the Foundation

4. The implementation of GASB Statement No. 40 "Deposit and Investment Risk Disclosures" requires the disclosure of certain Foundation policies for handling and managing deposits and investments. We recommend the Foundation adopt in writing its policies for managing deposits and investments including a policy statement that the handling of deposits and investments will conform to the Utah Money Management Act.

Management Response:

The Business Office plans to work directly with the Foundation's Board to ensure that the necessary policy is implemented.

We have appreciated the cooperation, open communication and assistance from District personnel during our audit. Their help was very beneficial in the completion of this year's audit.

If questions arise concerning the above recommendations, please contact us and we will be pleased to discuss them with you. This report is intended solely for the use of the Logan City Board of Education and Administration and should not be used for any other purposes.

A handwritten signature in cursive script, reading "Jones Simkins, P.C.", written in dark ink.

JONES SIMKINS, P.C.
November 18, 2005